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IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

ROHM AND HAAS COMPANY,
Petitioner,
v.
CRYSTAL CHEMICAL COMPANY AND JOE C. ELLER,
Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

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REPLY BRIEF

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REPLY BRIEF

1. *The Decision Below Established Unprecedented New Rules Governing All Future Fraud Cases.* Respondents recognize that the decision of the Court of Appeals for the Federal Circuit ("CAFC") addresses issues of "first impression" centering on "the basic policy underlying the patent system"—issues that are "of importance to the bar and development of the patent law." Brief for Respondents ("BR") 8, 17, 20. Respondents also concede that the CAFC established what they describe as a "landmark exception" to prevailing law, as well as completely "new requirements" and "new standards"—entirely unknown prior to the decision below—which will hereafter govern all patent cases where fraud is charged (BR 3, 8, 18, 20).

These new rules do not simply relate to whether fraud can be cured, as Respondents allege (BR 3, 18). Instead, they involve *how* fraud can be cured and who bears the burden of proof. The CAFC explicitly acknowledged this when it declared that its holding "breaks new ground on the subject of fraud in the PTO and sets new standards in this area of the law" (277a). The court was not talk-

ing about whether fraud could be cured; it expressly held that Petitioner's "failure to follow this new standard," in all its ramifications, did not make it unjust for Respondents to pay their own attorney fees and costs (277a-279a).

Under the CAFC's new rules, anytime a mistake is made with respect to an affidavit, regardless of the intent of the affiant or the materiality of the mistake, the burden of proof will be upon the patentee to prove correction. The traditional burden of proof upon the infringer with respect to the fraud question is thereby substantially eased. It is thus very clear that as a direct result of these "new standards," fraud charges will greatly increase in the future, resulting in much new litigation in the federal courts. Since no other Court of Appeals can test or dispute these new rules, and no conflict among the Circuits can develop that will challenge their efficacy, this Court should settle whether the rules are the correct ones.

2. *The New Rules Will Not Work.* The rules as characterized by Respondents appear at first blush to have a surface rationality (Respondents argue that where a fraud is committed in writing, it must be admitted to and corrected in writing). In practice, however, the rules are wholly unworkable. They assume that patent applicants will always *know* when a "fraud" has been committed in writing and that it must be "purged." This case demonstrates how fallacious this assumption is when applied to the vast majority of cases where fraud is charged, and it underscores the confusion that the new rules will cause both in patent prosecutions in the Patent Office and during trials of patent infringement cases.

In this case, Petitioner's patent agent failed to disclose favorable and unfavorable data, but since he died long before any questions arose, the reasons behind his actions were, and still are, unknown. Petitioner was convinced, however, that there was no fraud, and this was certainly a reasonable belief as evidenced by the District Court's finding, based on all the evidence, that the affidavits in issue herein were submitted in good faith and were be-

lieved to be true, and that there was no fraud or inequitable conduct (71a-73a, 109a).

Under these kinds of circumstances, what is the patent applicant to do—confess specifically and in writing to a fraud which it did not believe existed in order to avoid the danger that the CAFC's new rules pose for it? If it does, the patent applicant's admission not only may ultimately deprive it of an otherwise valid patent but, at the very least, may be used against the applicant in future litigation. Or does the patent applicant take its chances, treat the facts as it normally would, and run the risk posed by the new rules?

In most cases, just as in this one, the alleged fraud is not clear at all. Fraud is a question uniquely dependent on the totality of facts and circumstances, and it invariably revolves around disputed facts or differences of opinion. In those cases where some of those within the corporate applicant think there is a problem with data submitted to the Patent Office, while others believe the data are wholly defensible, the way to proceed is fraught with difficulty. The applicant cannot, under the CAFC opinion, simply call attention to the dispute and lay out its position and all material facts relating thereto; that would be taken as a defense of a fraud instead of an admission of one. At the same time, how could an applicant possibly admit to a fraud it did not believe occurred? That is precisely the kind of dilemma that applicants will face hereafter, time and again, if this new rule remains in effect.

The CAFC's new rules dictate not only whether fraud can be cured and how it can be cured, but also who bears the burden of proof. Trial judges, in what are ordinarily lengthy and complex cases involving a multiplicity of interrelated issues, are now forced to decide *at the threshold* whether fraud has been committed in order to allocate the new burden of proof (not merely the burden of going forward) announced by the CAFC. But such a preliminary determination is extremely difficult to make until

all the evidence is presented. When should the trial courts apply the new rules? How should the new rules be applied in jury cases?

The CAFC's new rules are simply not practical; they will not work; they are unenforceable in most cases. They clearly call for this Court's review.

3. *The CAFC Flagrantly Violated Rule 52(a).* Perhaps the clearest concession that Respondents make relates to Rule 52(a). They state that the CAFC must bring uniformity into the patent field "by assessing the findings of fact and conclusions of law" of District Courts "in the light of the superior knowledge the Federal Circuit has in the field of patents" (BR 29), and they suggest that the CAFC may employ technical advisors and substitute "inherent expertise" for unimpeachable fact-findings of District Courts (*see* BR 15-17). This is precisely what we have contended that the CAFC did in this case and many others, and it is wrong.[1] The CAFC clearly ignored Rule 52(a), and, as Respondents admit (BR 3), based on "facts revealed by the [Respondent's] arguments on appeal," it made its own specific findings on heavily disputed factual issues that were resolved by the District Court.

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[1] While we believe our case presents the clearest example of the CAFC's pattern of improper fact-finding, at this writing there are at least five other cases raising this question. *See TP Laboratories, Inc. v. Professional Positioners, Inc.*, 724 F.2d 965 (Fed. Cir. 1984), *petition for cert. filed*, No. 83-1939 (April 21, 1984); *White v. Jeffrey Mining Mach. Co.*, 723 F.2d 1553 (Fed. Cir. 1983), *petition for cert. filed*, No. 83-1913 (May 22, 1984); *Raytheon Co. v. Roper Corp.*, 724 F.2d 951 (Fed. Cir. 1983), *petition for cert. filed*, No. 83-2128 (May 30, 1984); *Garlock, Inc. v. W.L. Gore & Associates*, 721 F.2d 1540 (Fed. Cir. 1983), *petition for cert. filed*, No. 84-2 (July 2, 1984); *Envirotech Corp. v. Amstar Corp.*, 730 F.2d 1476 (Fed. Cir. 1984), *petition for cert. filed*, No. 84-294 (August 24, 1984). *See also RCA Corp. v. Applied Digital Data Systems, Inc.*, 730 F.2d 1440 (Fed. Cir. 1984), *petition for cert. filed*, No. 84-8 (July 5, 1984), *petition dismissed pursuant to Rule 53*, August 29, 1984; *Baginsky v. United States*, 697 F.2d 1070 (Fed. Cir.), *cert. denied*, 104 S.Ct. 423 (1983).

As noted above, fraud is peculiarly a factual matter. It depends on what happened and why. It includes such elements as misrepresentation, intent and reliance. These are matters which cannot be divined by some "superior knowledge" of an appellate court blindly accepting arguments of one party or reading a cold record. The resolution of fraud allegations must be based upon actual determinations by the fact-finder, who views the witnesses live at trial and can judge their demeanor and credibility, exactly as Judge Bue did here.

It is not true, as Respondents argue (BR 27-28), that the CAFC opinion is predicated solely on errors of law and undisputed facts. Nor is it true that the CAFC did not substitute its own findings on key, dispositive issues for those of the District Court. For example:

a). The District Court found that Petitioner's inventor-affiant believed his affidavits D and E were accurate, and it refused to find that the affidavits were false, or that Petitioner misrepresented facts therein (71a-72a). The CAFC found that portions of these affidavits were false and misrepresented the facts (224a-225a, 252a-254a).[2]

b). The District Court found that Petitioner procured the patent in good faith (109a). The CAFC found

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[2] Although the compounds discussed in affidavit D were tested at different times of the year, Dr. McRae testified, and his testimony is undisputed, that the tests represent an accurate comparison of the compounds. Respondents' expert agreed (CAFC App. 2714-15). As to Affidavit E, the undisputed record establishes that after a diligent search, ten years after the affidavit was filed, Petitioner could not find the raw data supporting it, but Dr. McRae believed the affidavit was accurate, and actual photographs attached to the affidavit confirmed that Dr. McRae's belief was correct. Petitioner vehemently denied at trial and repeatedly on appeal that any data had been falsified, but the CAFC asserted that Petitioner had admitted the data had been falsified and thereby found fraud. The District Court, which found no fraud, explicitly stated that it had carefully assessed Respondents' charges concerning these affidavits (137a), which Respondents concede "were focal matters during trial" (BR 3).

that Petitioner committed intentional misrepresentations (224a-225a, 252a-254a).[3]

c). The District Court found that Petitioner had not procured the patent through fraud or inequitable conduct (109a). The CAFC found that Petitioner had committed a fraud (224a-225a, 258a).[4]

The CAFC also confused questions of law and fact, and as a result, made purported conclusions of law that, in effect, eliminated important findings of fact. For example, the CAFC found that it is unnecessary to prove the element of reliance in order to prove fraud and that materiality is conclusively presumed from its finding of wrongful intent.[5]

All of these matters clearly involve findings of fact by the CAFC. If the CAFC truly believed that the District Court committed an error of law, what was required was a remand rather than a *de novo* determination by the appellate court based on "facts revealed by the arguments on appeal" (231a). Respondents, in contending that the

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[3] Dr. McRae testified that he believed his affidavits were accurate and that he would not have executed them if they were incorrect. This testimony was uncontradicted. Moreover, the CAFC, contrary to Respondents' arguments (BR 2, 28), completely ignored the District Court's findings of "good faith"—finding number 210 (109a).

[4] Other circuit courts have stated with near unanimity that fraud is a question of fact subject to the "clearly erroneous" standard of appellate review (*see e.g.*, Pet. Br. 28 n.39).

[5] The incorrectness of this approach is underscored by the fact that the patent to which affidavit E was directed was later determined by the Patent Office and the District Court not to be prior art. The publication to which affidavit D was directed was not relied upon by Respondents at trial and did not in any way suggest selective, post-emergent herbicidal activity (88a). Neither affidavit was material to patentability. Moreover, all of the data underlying the affidavits were presented to the Examiner and were introduced as evidence at trial. Both the Examiner and the District Court determined respectively that Petitioner's invention was patentable and that its patent was valid. The favorable and unfavorable data initially undisclosed simply were not material to patentability.

CAFC "was entitled to take into account its superior understanding of patents and of the workings of the Patent Office" (BR 29), are arguing that the CAFC is subject to a different standard of appellate review than for all other Courts of Appeal—a standard which encourages findings of fact by this particular court, and which cannot be supported by the intent of Congress (indeed, the opposite is true—*see* Pet. Br. 26-27 n.36).

4. *Retroactive Application Of The New Rules Is Grossly Unfair.* As to the injustice of retroactive application of the CAFC's "new standards" to Petitioner, it is highly significant that Respondents nowhere mention in their brief the principal case relied upon by Petitioner, *Chevron Oil.* That case was repeatedly discussed by Petitioner (Pet. Br. i, 19, and 22-23). The reason Respondents ignore *Chevron Oil* is obvious. *Chevron* squarely applies to the facts of this case, and it demonstrates how unfair it was for the CAFC to apply its "new standards."

Although Respondents argued at trial and on appeal that the disclosure of the facts to the Patent Office in 1973 was not an attempt to clear the record but was part of a carefully orchestrated attempt to bury the true facts, this argument has been rejected by both courts below. The District Court explicitly found that Petitioner acted reasonably and in good faith and had successfully cured any earlier defects in the prosecution of the patent application (70a-73a). The CAFC, by denying costs and attorney fees, implicitly found that Petitioner had acted in good faith but that the earlier defects had not been successfully cured in 1973 under "new standards" announced ten years later which were not and could not have been foreseen (*see* 274a, 277a-279a).[6]

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[6] Petitioner's written disclosure of the substance of the key interview was insufficient *only when measured against the CAFC's new rules.* Contrary to Respondents' contentions (BR 14), the evidence adduced at trial *did not contradict* the written record in the Patent Office. The evidence at trial merely explained in greater detail the points raised in the written record. Moreover, as expressly found

The CAFC held that Petitioner's full, fair and candid disclosure was insufficient even though no data, other than that voluntarily disclosed to the Patent Office by Petitioner, were relied upon by Respondents in support of their fraud charges. It is on this record that Respondents now seek treble damages under the antitrust laws. It is on this record that Respondents, who are pirates and not innovators, seek to "jump on the profit bandwagon" of propanil. *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 222 (1980). Petitioner submits that such a result is grossly unfair and that retroactive application of the CAFC's "new standards" for cure is contrary to the Patent Clause of the Constitution and this Court's *Chevron Oil* decision.

5. *The Issued Patent Was Accurate.* Respondents claim that Petitioner's patent was "published with false data" and that the public was thereby misled (BR 6, 26-27). This is patently untrue, as is the suggestion that the data from Affidavits D and E, generated long after the patent was applied for and the application was written, are found in the patent. The issued patent accurately states the activity of propanil and compounds related to propanil, and it clearly teaches that related compounds such as DCIBA are selective in their activity (CAFC

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by the District Court, Petitioner repeatedly sought to file all pertinent documents with the Patent Office, but the Patent Office elected to have them remain with Petitioner (63a, 68a). This fact is stated in the written record (CAFC App. 4750). But assuming that Petitioner technically failed to comply with Rule 2, *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 818 (1945), and *Pfizer, Inc. v. International Rectifier Corp.*, 538 F.2d 180, 193 n.27 (8th Cir. 1976), *cert. denied*, 429 U.S. 1040 (1977), clearly hold that "evidence of matters brought orally or informally to the attention of the Patent Office is relevant to the issues of fraud * * * regardless of the patentee's alleged noncompliance with Patent Office rules and procedures * * *." The CAFC ignored *Precision* and *Pfizer*, and it also overlooked the fact that no agreement on patentability was reached at the key interview (CAFC App. 8512)—*see Oetiker v. Jurid Werke GmbH*, 209 USPQ 809, 824-825 (D.D.C. 1981), *aff'd*, 671 F.2d 596 (D.C. Cir. 1982).

App. 1254-56, 2726-30).[7] Respondents' assertion that "propanil is not, and never was, uniquely selective as a herbicide" (BR 26) is equally fallacious. In their brief before the CAFC, Respondents admitted that propanil's activity is "truly remarkable, and completely unexpected" (Brief for Appellants, p. 2). The District Court similarly found, based on evidence separate and distinct from the challenged affidavits, that "propanil's * * * activity is unique" (89a), and that is why no one commercialized any of the related compounds.

The District Court held that Petitioner's patent complied fully with all of the provisions of the Patent Laws, including the disclosure provisions (126a-135a), and that it satisfied "the standards expressed in the United States Constitution" (114a). Contrary to Respondents' arguments, Petitioner did not rely on the challenged affidavits to establish that propanil was unique (CAFC App. 1457-58, 3644-46, 4284-86) and the District Court did not rely on the affidavits when it determined that Petitioner's patent was valid (88a-90a). Patentability of Petitioner's invention was based on other evidence and factors such as commercial success, industry acclaim, and the like (*see e.g.* 82a-90a, 133a-135a).

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[7] In an effort to support their theory that the public was misled, Respondents complain that "No one has tried the others [*i.e.*, the related compounds DCAA and DCIBA]" (BR 26). However, DCAA was one of the compounds which Monsanto sought to patent as a herbicide and DCIBA was a compound which BASF did patent as a herbicide. Neither company commercialized these compounds. Respondents were also on notice as to the herbicidal activities of these compounds from Respondents' and their present counsel's participation in the 1968 *Monsanto* litigations during which, as they admit, all pertinent data "came to light" (BR 10-11). Nonetheless, Respondents sold only propanil.

CONCLUSION

In its current posture, the Court is squarely faced with the issue of what a patent applicant must do to correct mistakes in a patent prosecution prior to issuance in order to prevent subsequent nullification of an objectively valid patent for a valuable invention which satisfies all of the requirements of patentability. The Court is also confronted with critical questions centering on the institutional setting and administration of justice of the new Court of Appeals for the Federal Court.

Respondents have not presented any reason why the truly revolutionary decision of the Court of Appeals in this case should not be reviewed. To the contrary, Respondents' brief illustrates why review is warranted. Petitioner therefore requests that its petition for a writ of certiorari be granted and that the decision of the CAFC be reversed.

Respectfully submitted,

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